

Message Text

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ORIGIN SS-25

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NEA:AGLASPIE
GC/NE:JEMULLEN (DRAFT)
AA/NE:JCWHEELER
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FM SECSTATE WASHDC
TO AMEMBASSY DAMASCUS IMMEDIATE

C O N F I D E N T I A L STATE 024579

EXDIS FOR AMBASSADOR MURPHY AND RAMSEY FROM WHEELER

E.O. 11652: GDS

TAGS: PBOR EAID SYR

SUBJECT: KELCEY/SMITH NEGOTIATIONS - DAMASCUS-DERA
HIGHWAY PROJECT

REF: DAMASCUS 6628

1. APPRECIATE REFTTEL WHICH PROVIDED TIMELY BACKGROUND ON
KELCEY/SMITH NEGOTIATIONS DURING PAST FEW WEEKS. ON
JANUARY 30 ROBERT A. HUBBARD, SENIOR EXECUTIVE VICE PRESI-
DENT, WILBUR SMITH AND ASSOCIATES, CALLED ON AA/NE WHEELER
TO DISCUSS VARIOUS EVENTS THAT OCCURRED DURING HIS
NEGOTIATIONS IN DAMASCUS LEADING TO HIS BEING INFORMED BY
THE SARG NEGOTIATING COMMITTEE ON JANUARY 25 THAT CONTRACT
NEGOTIATIONS WITH THE KELCEY/SMITH JOINT VENTURE WERE BEING
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TERMINATED BY THE SARG BECAUSE THE CONTRACT PRICE IS HIGH.
HUBBARD INDICATED THAT NO SPECIFIC REASONS WERE GIVEN BY
SARG AS TO WHY THE CONTRACT PRICE WAS HIGH.

2. IN THE COURSE OF THE MEETING, HUBBARD ALLEGED THAT ON
JANUARY 25 HE WAS INFORMED BY TWO MEMBERS OF THE SARG
NEGOTIATING COMMITTEE (WHO HE REFUSED TO NAME) THAT QUOTE

THERE WAS A DEEP PERSONAL AND FINANCIAL INTEREST IN THIS
JOB AT THE HIGHEST LEVEL END QUOTE AND THAT THERE WAS NO

WAY THAT KELCEY/SMITH COULD GET THE JOB REGARDLESS OF
PRICE. HUBBARD STATED THAT THE DECISION TO DROP KELCEY/
SMITH WAS MADE BY THE PRIME MINISTER, AND THAT THE PM HAD
A FINANCIAL INTEREST IN THE SELECTION. HUBBARD WAS ALSO
RELUCTANT TO IDENTIFY THE U.S. FIRM OTHER THAN SAYING THAT
KELCEY/SMITH WILL TAKE APPROPRIATE ACTION THROUGH THE
PROFESSIONAL SOCIETIES TO ASSURE THAT THE FIRM IN QUESTION
BE REPRIMANDED.

3. IN CONCLUDING, HUBBARD SAID THAT HE WISHED TO LODGE A
VERBAL PROTEST WITH A.I.D. ON THIS MATTER AND WHILE HE IS
NOT ASKING THAT A.I.D. TAKE ACTION TO ASSURE THAT HIS FIRM
GETS THE BUSINESS, HE FELT THAT A.I.D. SHOULD, AT A
MINIMUM, SATISFY ITSELF THAT IN PROCEEDING WITH ANOTHER
CONTRACTOR, THAT THE SCOPE OF WORK AND WORK PROGRAM IS
UNCHANGED AND THAT THE CONTRACT PRICE OFFERED BY ANOTHER
CONTRACTOR PERMITS EFFECTIVE EXECUTION OF THE CONTRACT.
HUBBARD ALSO FELT THAT IT WOULD BE USEFUL FOR A.I.D. TO
QUERY THE SARG AS TO WHY, AFTER THE LONG,PROTRACTED
NEGOTIATIONS AND PRICE COMPARISONS WITH OTHER CONTRACTORS,
THAT IN THE FINAL ANALYSIS THE GOVERNMENT REJECTED THE
KELCEY/SMITH CONTRACT.

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4. IN VIEW OF THE ABOVE ALLEGATIONS, I WOULD APPRECIATE
YOUR ASSESSMENT OF ALLEGATIONS MADE AND THE RECOMMENDED
COURSE OF ACTION FOR A.I.D. TO FOLLOW. IN MEANTIME URGE
THAT USAID NOT RESPOND TO FORMAL SARG REQUEST TO PROCEED
WITH SECOND-RANKED, SHORT-LISTED FIRM. VANCE

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